

September 16, 2003

**IMPORTANT NOTICE
TO ALL PROPERTY AND CASUALTY INSURERS**

It has come to my attention that certain property and casualty insurers are mandating that insureds buy terrorism coverage on all commercial property insurance policies. Such action is in direct violation of the Terrorism Risk Insurance Act of 2002 ("TRIA") Sections 103(b)(2) and 105 (c)(2)(B).

The Louisiana Department of Insurance issued Bulletins 02-03 and 03-01, which notified insurers that they are subject to the federal law and they are required to give certain notices to their policyholders. As explained in these Bulletins, "TRIA" requires that these notices give the insured an **option** to either accept or reject coverage for an act of terrorism. Since the Act specifically requires an option, mandating coverage for all commercial property insurance policies would violate the provisions of "TRIA".

The Louisiana Department of Insurance is hereby re-issuing attached Bulletins 02-03 and 03-01, and is advising all property and casualty insurers to take the necessary steps to ensure that they are in complete compliance with the law.

NOTE: These mandated options are required on all existing, new and renewal business.

Any questions regarding this notice, or the attached Bulletins, may be directed to Ms. Kathlee Hennigan, Director of the Property and Casualty Division, at khennign@ldi.state.la.us or by telephone at (225) 342-1258.

J. ROBERT WOOLEY
COMMISSIONER OF INSURANCE

Attachments
JRW/cap

BULLETIN 03-01

**TO: ALL PROPERTY & CASUALTY INSURERS WRITING
COMMERCIAL LINES INSURANCE PRODUCTS AND
ALL INSURERS ON THE NAIC QUARTERLY
LISTING OF ALIEN INSURERS**

FROM: J. ROBERT WOOLEY, ACTING COMMISSIONER OF INSURANCE

**RE: THE TERRORISM RISK INSURANCE ACT OF 2002
POLICYHOLDER DISCLOSURE NOTICES**

As explained in Bulletin 02-03 the Terrorism Risk Insurance Act of 2002 require insurers to give certain notices to their policyholders. (Additional information regarding the notices required by the Act may be found at www.treasury.gov/trip.) Attached are sample Policyholder Disclosure Notices. The attached notices differ from the NAIC versions in that they do not have a signature line. Insurers may use the notices attached hereto or the NAIC version at their option. However, it is the opinion of this office that signature lines are not required by the Act.

J. ROBERT WOOLEY
ACTING COMMISSIONER OF INSURANCE

POLICYHOLDER DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

You are hereby notified that under the Terrorism Risk Insurance Act of 2002, effective November 26, 2002, that you now have a right to purchase insurance coverage for losses arising out of acts of terrorism, *as defined in Section 102(1) of the Act*: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property; or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Coverage under your existing policy may be affected as follows:

ANY IN-FORCE TERRORISM **EXCLUSIONS** FOR ACTS OF TERRORISM, *AS DEFINED IN THE ACT*, ALREADY CONTAINED IN YOUR POLICY OR INCLUDED IN AN ENDORSEMENT ARE **NULLIFIED** AS OF NOVEMBER 26, 2002.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM IS PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES PAYS 90% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

ALSO YOU SHOULD KNOW THAT IN THE EVENT THAT THERE IS A CERTIFIED LOSS AND PAYMENTS MADE BY THE FEDERAL GOVERNMENT UNDER THE ACT, THAT THE AMOUNT EXPENDED CAN BE RECOUPED BY ASSESSMENT OF A PREMIUM SURCHARGE, ON AN ANNUAL BASIS, NOT TO EXCEED 3% OF THE PREMIUM.

SELECTION OR REJECTION OF TERRORISM INSURANCE COVERAGE

UNDER FEDERAL LAW, YOU HAVE THIRTY (30) DAYS TO CONSIDER THIS OFFER OF COVERAGE FOR TERRORIST ACTS AND SUBMIT THE PREMIUM REQUIRED. IF WE DO NOT RECEIVE THE QUOTED PREMIUM BY _____, THE TERRORISM EXCLUSION NULLIFIED BY THE ACT WILL BE REINSTATED ON _____, AND YOU WILL NOT BE COVERED FOR LOSSES ARISING FROM TERRORIST ACTS THAT WERE PREVIOUSLY EXCLUDED.

**POLICYHOLDER DISCLOSURE NOTICE
OF TERRORISM INSURANCE COVERAGE**

Coverage for acts of terrorism is already included in your current policy. You should know that, effective November 26, 2002, under your existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The portion of your annual premium that is attributable to coverage for acts of terrorism is: \$_____.

Also you should know that in the event that there is a certified loss and payments made by the federal government under the Act, that the amount expended can be recouped by assessment of a premium surcharge, on an annual basis, not to exceed 3% of the premium.



OFFICE OF THE COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

P.O. Box 94214
BATON ROUGE, LOUISIANA 70804-9214
PHONE (225) 342-5900
FAX (225) 342-3078
<http://www.lci.state.la.us>

BULLETIN 03-01

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1/06/03

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